

**STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION**

**FILED
SECURITIES DIVISION**

JUN 11 2010

IN THE MATTER OF:)	
)	
RANDELL E. MORRISON d/b/a INNOVATION)	
BROKERAGE MANAGEMENT, LP, and RESEARCH &)	
DEVELOPMENT MANAGEMENT, LP a/k/a)	
RESEARCH & DEVELOPMENT, LP,)	Cause No. 10-0144 CD
)	
Respondents.)	

**INDIANA
SECRETARY OF STATE**

CEASE AND DESIST ORDER

The Staff of the Office of the Secretary of State, Securities Division, filed an Administrative Complaint against Respondents alleging violations of the Indiana Securities Act, Ind. Code 23-2-1 and the Indiana Uniform Securities Act (collectively known as “the Act”) and requesting that Respondents be ordered to cease and desist from violating the Act and that Respondents be barred from the securities industries.

Pursuant to Ind. Code § 23-2-1-17.1(a) (2005) and Ind. Code § 23-19-6-4(a), the Securities Commissioner (“Commissioner”) may issue a cease and desist order if the Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under this article or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this article or a rule adopted or order issued under the Act.

Based upon the information presented, it appears to the Commissioner that Respondents have engaged in acts constituting violations of the Act. Therefore, grounds exist under the Act to order the Respondents to immediately cease and desist from violating the Act. The Commissioner finds that this order is in the public interest.

The Commissioner therefore ORDERS that the Respondents, and all persons acting in concert with them and who receive notice of this Order, immediately CEASE AND DESIST from: (1) offering and/or selling securities to Indiana investors unless the securities are registered; (2) offering and/or selling to Indiana residents securities without registration as a broker-dealer and/or an agent; (3) committing fraud in the offer and/or sale of securities.

IT IS FURTHER ORDERED that Respondent shall file an answer to the Administrative Complaint within fifteen (15) days following the date of their receipt of the service of this Order. Respondents shall be deemed to be in default if an answer is not filed within the time provided. The Commissioner is seeking a civil penalty and costs of the investigation against the Respondents.

ORDERED at Indianapolis, Indiana, this 11TH day of JUNE, 2010.



TODD ROKITA
SECRETARY OF STATE

CHRIS NAYLOR
SECURITIES COMMISSIONER

**STATE OF INDIANA
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IN THE MATTER OF:

RANDELL E. MORRISON d/b/a INNOVATION
BROKERAGE MANAGEMENT, LP, and RESEARCH &
DEVELOPMENT MANAGEMENT, LP a/k/a
RESEARCH & DEVELOPMENT, LP,

Respondents.

**INDIANA
SECRETARY OF STATE**

Cause No. 10-0144 CD

ADMINISTRATIVE COMPLAINT

STATEMENT

The Staff of the Indiana Secretary of State, Securities Division ("Staff"), files this Administrative Complaint to commence an adjudicative proceeding against Respondents for violating the Indiana Securities Act, Ind. Code 23-2-1 and the Indiana Uniform Securities Act, Ind. Code 23-19-1 (collectively known as the "Act").

JURISDICTION AND AUTHORITY

1. The Securities Division ("Division") is a division of the Office of the Secretary of State with jurisdiction over matters relating to securities, as provided by the Act. The Act authorizes the Division to regulate: 1) the offer and/or sale of securities; 2) those individuals offering and/or selling securities; and 3) prohibits fraud in connection with the offer and/or sale of securities.
2. The Division brings this action pursuant to the enforcement authority conferred upon it by Ind. Code § 23-2-1-15 (2005), 710 Ind. Admin. Code 1-19, and Ind. Code §23-19-6. The Division has the authority to conduct an adjudicative proceeding to enforce the provisions of the Act and all Rules promulgated thereunder.
3. All of the actions and practices constituting violations occurred in Indiana.

RESPONDENTS

4. Randell E. Morrison ("Morrison") is an individual and can be served at 9210 Goldspur Drive, Ft Wayne, IN 46804.
5. Research & Development Management, LP a/k/a Research & Development, LP ("Research & Development") is an active Indiana partnership created in Indiana on November 4, 2004.
6. Research & Development can be served care of their registered agent Randy Morrison at 9210 Goldspur Drive, Ft Wayne, IN 46804.
7. The General Partner of Research & Development is Morrison.

FACTS

Scott Sebo

8. Scott Sebo ("Sebo") is a resident of Allen County, Indiana.
9. On April 8, 2009, Morrison d/b/a Innovation Brokerage Management, LP sold Sebo a Promissory Note/Direction of Investment ("Sebo Note") through Sebo's individual retirement account ("IRA") held at Equity Trust in the amount of \$127,900.
10. Both Sebo and Morrison signed the Sebo Note.
11. On April 20, 2009, a check for \$127,977.87 was paid from the Liberty Mutual Employees' Thrift Incentive Plan to Equity Trust as Trustee for benefit of Scott Sebo IRA for the Sebo Note.
12. On April 8, 2009, Sebo and Morrison executed a Loan Agreement in conjunction with the Sebo Note. This Loan Agreement states, "Borrower receives the funds for the term of ten years. Two weeks after the ten-year anniversary date the borrower repays the lender

predicated solely upon the performance of the borrowing entity. Lender understands that a loss may be experienced in this endeavor.”

13. Sebo was to have no involvement with Morrison d/b/a Innovation Brokerage Management, LP, other than provide his investment funds.
14. Sebo’s loss due to Morrison’s acts total \$127,977.87.
15. The Sebo Note was not registered as required by law.

Michael and Diane Carpenter

16. Michael and Diane Carpenter are residents of Allen County, Indiana.
17. On March 7, 2005, Research & Development sold Michael Carpenter (“Michael”) a Promissory Note/Direction of Investment (“Michael Note”) through Michael’s IRA, held at Equity Trust in the amount of \$3,000. Both Michael and Morrison signed the Michael Note.
18. Page 2 of the Michael Note states that the Note is to be repaid “based on the performance of the company,” and the “principal plus bonus predicated on performance of company.” Morrison told Michael that the company was going to be involved in currency trading.
19. The first payment to Michael was due on March 22, 2006.
20. On March 8, 2005, a Loan Agreement was executed in conjunction with the Michael Note. This Loan Agreement was signed by both Michael and Morrison indicating that two weeks after the one year anniversary date of the Michael Note, Michael would receive the principal amount of \$3,000, plus 5%.
21. On February 22, 2005, Research & Development sold Diane Carpenter (“Diane”) a Promissory Note/Direction of Investment (“Diane Note”) through Diane’s IRA held at Equity Trust in the amount of \$3,000. Both Diane and Morrison signed the Diane Note.

22. Page 2 of the Diane Note states that the Note is to be repaid “based on the performance of the company,” and the “principal plus bonus predicated on performance of company.” Morrison told Diane that the company was going to be involved in currency trading. The first payment to Diane was due on March 22, 2006.
23. On March 6, 2005, a Loan Agreement was executed in conjunction with the Diane Note. This Loan Agreement was signed by both Diane and Morrison indicating that two weeks after the one year anniversary date of the Diane Note, Diane would receive the principal amount of \$3,000, plus 5%.
24. On February 22, 2005, a check for \$3,000 was paid from Michael and Diane Carpenter’s account at Bank One n/k/a Chase to ETC, Custodian, FBO Diane E. Carpenter IRA. On February 24, 2005, an official check for \$3,000 was paid from Michael to ETC, Cust, FBO Diane E. Carpenter, IRA. Both of these checks were for the Diane Note and the Michael Note.
25. On June 1, 2007, Morrison sent 2 letters via fax to Equity Trust, the custodian of Diane and Michael’s IRAs. These letters were identified as “extension letters” by Morrison. One letter was regarding the Diane Note, and one letter was regarding the Michael Note.
26. These letters were to extend the maturity date on both the Diane Note and the Michael Note from May 2006 to March 2008. Neither Michael nor Diane were aware of or approved of this extension of the Notes by Morrison.
27. Michael and Diane were to have no involvement with Research & Development, LP, other than provide their investment funds. Morrison never disclosed to either Michael or Diane, that he was not registered as a broker-dealer as required by law, nor were the Notes he sold them registered as required by law.

28. Diane and Michael's loss due to Morrison's criminal acts total \$6,000.

COUNT I AS TO ALL RESPONDENTS
OFFER AND SALE OF UNREGISTERED SECURITIES

29. This section incorporates by reference all preceding sections and paragraphs.
30. "It is unlawful for any person to offer or sell any security in Indiana unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under section 2 [] of this chapter; or (3) it is a federal covered security." Ind. Code § 23-2-1-3 (2005) and Ind. Code § 23-19-3-1.
31. "'Security' means a . . . note." Ind. Code § 23-2-1-1(k) (2005) and Ind. Code § 23-19-1-1(28).
32. The promissory note/direction of investment sold by the Respondents to Scott Sebo and Michael and Diane Carpenter are securities.
33. A check of the records maintained by the Securities Division confirmed no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered and sold by the Respondents.
34. Respondents offered and sold unregistered securities in violation of the Act.

COUNT II AS TO ALL RESPONDENTS
OFFER BY UNREGISTERED AGENT

35. This section incorporates by reference all preceding sections and paragraphs.
36. "It is unlawful for a person to transact business in Indiana as . . . [an] agent unless the person is registered under this chapter." Ind. Code § 23-2-1-8 (2005) and Ind. Code § 23-19-4-1.
37. "'Agent' means an individual . . . who represents . . . [an] issuer in effecting or attempting to effect purchases or sales of securities. A partner, officer, or director of . . .

[an] issuer or a person occupying a similar status or performing similar functions is an agent only if the person effects or attempts to effect a purchase or sale of securities in Indiana.” Ind. Code § 23-2-1-1(b) (2005) and Ind. Code § 23-19-1-1(1).

38. “Issuer” means a person who issues or proposes to issue a security.” Ind. Code § 23-2-1-1(f) (2005) Ind. Code § 23-19-1-1(17).
39. Respondents received consideration and effected these transactions meaning they acted as the agent and the issuer.
40. Respondents have never been registered in the State of Indiana to offer or sell securities.
41. Respondents have violated the Act.

**COUNT III AS TO ALL RESPONDENTS
FRAUDULENT OR DECEITFUL ACTS**

42. This section incorporates by reference all preceding sections and paragraphs.
43. “It is unlawful for any person in connection with the offer, sale or purchase of any security, either directly or indirectly, (1) To employ any device, scheme or artifice to defraud, or (2) To make any untrue statements of a material fact or to omit to state a material fact necessary in order to make the statements made in the light of circumstances under which they are made, not misleading, or (3) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.” Ind. Code § 23-2-1-12 (2005) and Ind. Code § 23-19-5-1.
44. Respondents omitted to state the material fact to Michael and Diane Carpenter that they were extending the due date on a promissory note without their authority.
45. Respondents omitted to state the material facts to Michael and Diane Carpenter that they were not licensed to sell a security and that the securities sold to them were not registered as required by law.

46. Respondents have violated the act.

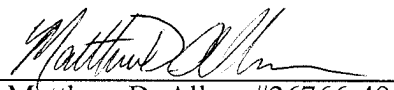
RELIEF REQUESTED

Wherefore, the Division respectfully requests that the Commissioner take the following actions:

- a) Find as fact the allegations set forth in this Administrative Complaint;
- b) Order Respondent to immediately Cease and Desist from violating any provision of the Act;
- c) Impose a civil penalty in an amount not to exceed \$10,000 for each violation of the Act committed by Respondents;
- d) Order Respondents to pay the costs of the investigation of this matter;
- e) Restitution for anyone damaged by the Respondents;
- f) Permanently bar all Respondents from the securities industry in Indiana;
- g) Find that all the sanctions and remedies requested are in the public interest and necessary for the protection of Indiana investors; and,
- h) All other proper relief.

Respectfully submitted,

INDIANA SECRETARY OF STATE
SECURITIES DIVISION



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